

BTO

SISONKE DISTRICT MUNICIPALITY

2011-2012 MTREF ADJUSTMENTS BUDGET

Budget & Treasury Office

Contents

1. PART 1 – ADJUSTMENTS BUDGET	3
1.1 Mayors Report.....	3
1.2 Resolutions	5
1.3 Executive Summary	5
OPERATIONAL BUDGET ADJUSTMENTS	8
MTREF CAPITAL BUDGET ADJUSTMENTS.....	9
1.4 Adjustments budget Tables.....	10
1.5 Municipal Entity Adjustments	10
1.6 Supporting Information and Charts.....	10
2. PART 2- SUPPORTING DOCUMENTATION	13
2.1 Adjustments to budget assumptions	13
2.2 Adjustments to Budget Funding.....	13
2.3 Adjustments to expenditure on allocation and grant programmes.....	14
2.4 Adjustments to allocations and grants made by the Municipality.....	15
2.5 Adjustments to Councillor Allowances and employee benefits.....	15
2.6 Adjustments to Service Delivery and Budget Implementation Plan	15
2.7 Adjustments to capital expenditure	15
2.8 Other Supporting Documents	16
2.9 Municipal Manager’s quality certification.....	16

ANNEXURES:

- 1.1 Annexure 1 – Budget Resolutions
- 1.2 Annexure 2 – Schedule B Budget Supporting Tables

1. PART 1 – ADJUSTMENTS BUDGET

1.1 Mayors Report

Honourable Speaker, Councillors,
Municipal Manager and officials,

I wish to thank the opportunity that has been granted to me to present the 2010/2011 Adjustments Budget for adoption. At the outset, Honourable Dignitaries, may I point out that the Municipal Finance Management Act is a key component of the broader legislative framework governing municipalities where we are compelled to present any changes to the approved budget to Council for approval.

In terms of S 28 of the MFMA, a municipality may revise an approved annual budget through an adjustments budget. Subsection 2 further goes on to state that an adjustments budget—

- (a)* Must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- (b)* May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- (c)* May, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- (d)* May authorise the utilisation of projected savings in one vote towards spending under another vote;
- (e)* May authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- (f)* May correct any errors in the annual budget; and
- (g)* May provide for any other expenditure within a prescribed framework.

Honourable dignitaries, it should be noted that this adjustment budget is as a result of having followed the due process as outlined in MFMA s72 of having assessed the performance and service delivery targets of the municipality for the first six months of the financial year.

Legislation requires that consideration be made on the effects of the economic crisis when preparing the budget, its implications on our capacity to deliver on our mandate to provide quality services. We therefore need to minimise spending on the “nice to haves”, furniture and equipment, travel agents and also reduce water losses. We have also had to take into account the liquidity position of the Municipality as at 30 June 2011 year end and find means of ensuring the improvement of the financial sustainability of the municipality by cutting down on a various number of operational projects and operational expenditures.

We further need to address the question of the installation of water meters in certain areas where billing occurs at a flat rate. This exercise will be undertaken after having taken due consideration of the cost benefit approach honourable members.

As noted in section 28 above, the adjustment budget has resulted in a downward movement from the original budget to R513m. The following are the major movements affecting revenue;

✓ Conditional Grant Funding Rollovers/Additions	R11, 7m
✓ Additional Allocations	R27, 0m
✓ Downward Funding Adjustments (Loan& Grants)	R87m

The operational budget has resulted in a downward adjustment of R22m while the Capital budget a net downward adjustment of R25m mainly due to the reduction of the loan application to R50m from R110m.

I therefore recommend that the Council approves the 2011-2012 adjustments budget as presented, and that The Municipal Council approves the revision to the service delivery targets and performance indicators in the Service delivery and Budget Implementation Plan as attached.

1.2 Resolutions

The resolutions for the approval of the 2011-2012 adjustments budget have been attached as Annexure 1. The resolutions adopted have taken into consideration;

1. The approval of the Adjustments Budget
2. The approval of the adjustments permitted in terms of Section 28(2) of the MFMA.
3. Approval of the revisions of the monthly and quarterly service delivery targets and performance indicators as set out in the Service Delivery and Budget Implementation Plan.

1.3 Executive Summary

The 2011-2012 adjustments budget has taken into account a number of factors influencing financial sustainability of the Municipality as assessed internally as well as by the Provincial Treasury's assessment of the 2011/12 draft budget.

This has resulted in a downward adjustment of R48m from the initially approved budget mainly due to the following;

- Own Revenue Adjustments;
 - In Service Charges due to lower than expected billing and under collection.
 - Of interest Received that has been lower than projected.
- Government Grants & Subsidies budgeted but were unlikely to be received
- Loan Downward adjustment (R60m)

The following additional grants have been publicised in the Provincial Gazette as additional grants and have been noted;

- Corridor Development – R1, 7m
- Umzimkhulu COGTA Support Grant – R25, 3m

These grants have been included in the adjustments budget only to the extent that the conditions will be met in the current financial year.

Table 1 below provides a list of the major revenue sources.

Table 1: Revenue Sources

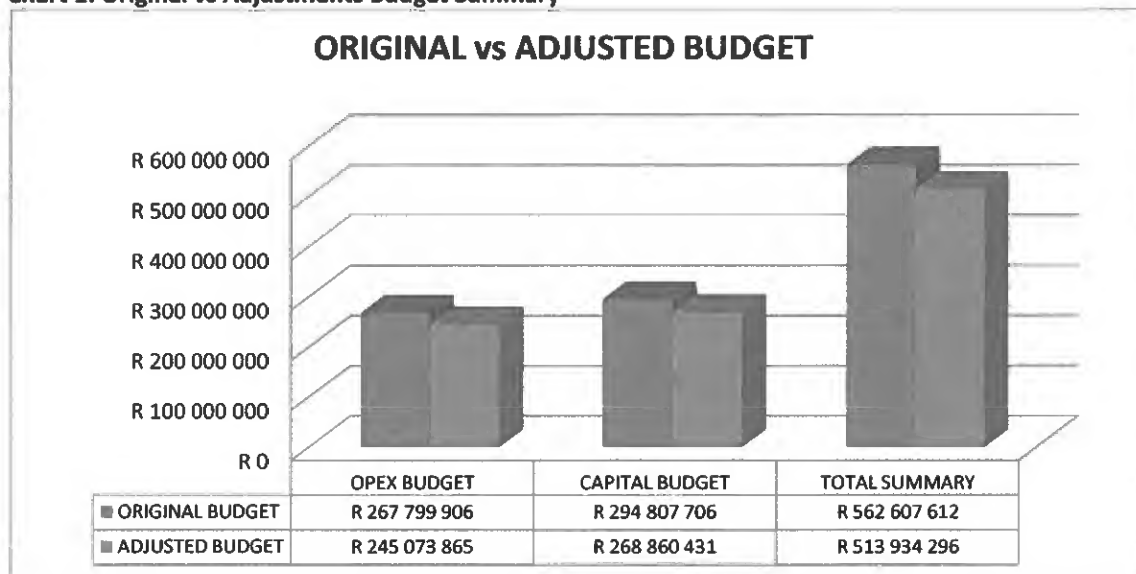
REVENUE SOURCE	ADJUSTED BUDGET
GOVERNMENT GRANT & SUBSIDIES - CAPITAL	R 198 038 495
GOVERNMENT GRANT & SUBSIDIES - OPERATIONS	R 199 126 218
INTEREST EARNED ON INVESTMENTS	R 1 618 218
OTHER REVENUE	R 31 111 242
LOAN	R 50 910 480
WATER & SANITATION SERVICE CHARGES	R 33 129 643
TOTAL	R 513 934 296

Given the budgetary constraints and the downward adjustments of income due to lesser than anticipated income projections, the downward expenditure adjustments budget have led to the Council having to take in to account the national priorities issues of ensuring that drinking water meets the required quality standards at all times by ensuring adequate repairs & maintenance plans and also that high impact Local economic development initiatives that foster micro and small business opportunities and job creation are given special attention.

As the municipality major source of revenue is from the Water & Sanitation charges, accounting for less than 10% of the total budget, the municipality still depends largely on grant funding and this is an area which needs to be address looking into the financial sustainability of the Municipality

The chart below summarise the adjustments made to the original budget that have resulted in the adjusted budget.

Chart 1: Original vs Adjustments Budget Summary



REVENUE

The original revenue was R562, 6m while the adjusted revenue is R513, 9m, representing a downward adjustment of 9% from the original budget.

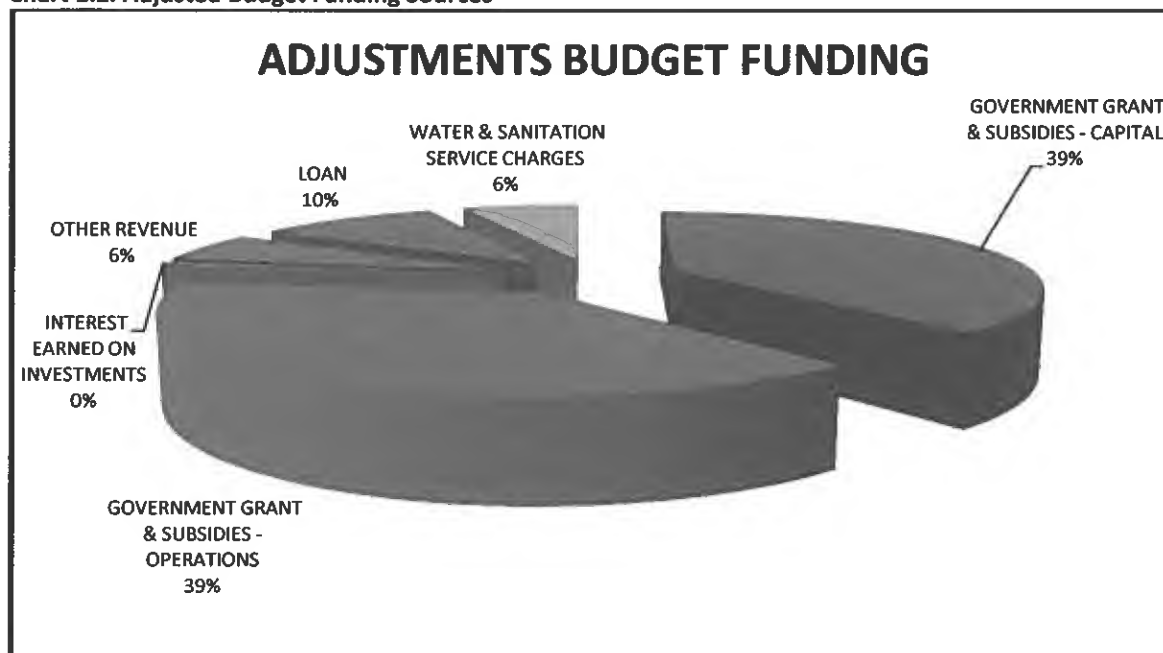
A summary of the adjusted grants is presented in the table below.

Table 2: Adjusted Capital & Operating Grants

	ORIGINAL BUDGET	ADJUSTED BUDGET
Government Grants & Subsidies	R 177 672 226	R 198 038 495
- CAPITAL		
Government Grants & Subsidies	R 194 506 000	R199 126 218
- OPERATING		

Reference can be made to table SB7 in Annexure B for a detailed movement of these grants.

Chart 1.2: Adjusted Budget Funding Sources



It is evident from the chart presented above that the major funding source of the municipal budget is the Government grants and subsidies with a contribution of 78% followed by own revenue sources at 12% and the Capital Budget Loan funding of 10%.

OPERATIONAL BUDGET ADJUSTMENTS

Chart 1.3: MTREF Operational Expenditure by Vote

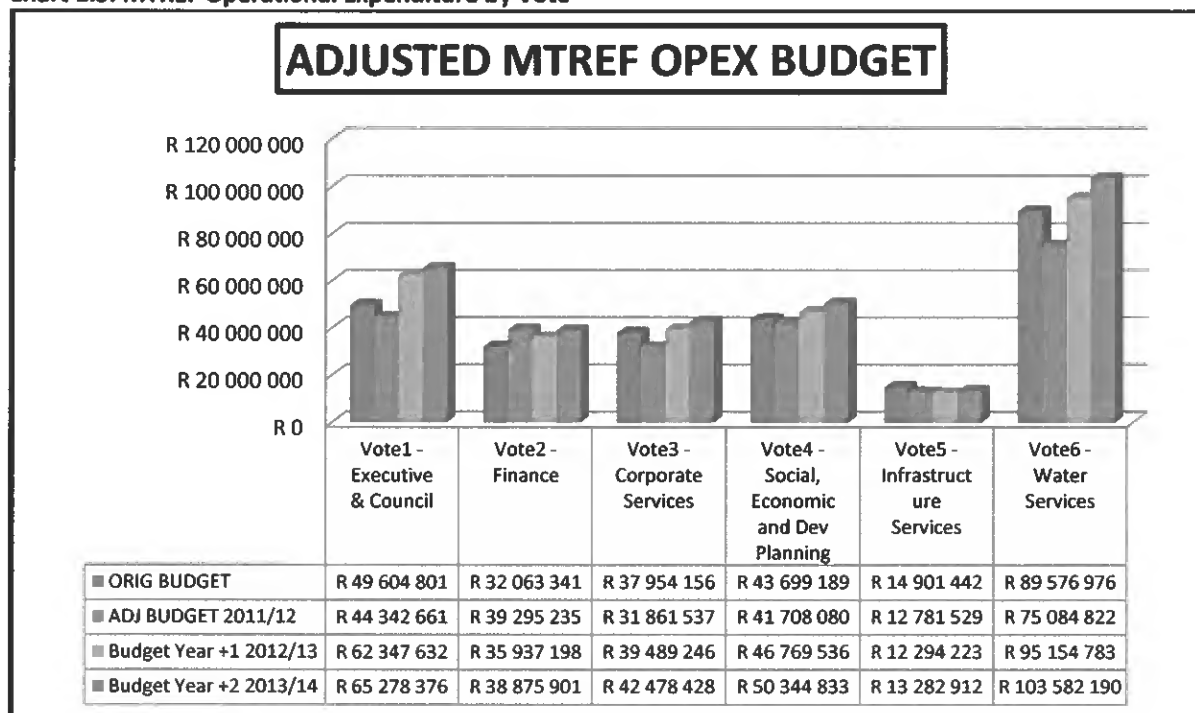


Chart 1.3 above looks at the budget adjustments in the medium term revenue expenditure framework per Vote. The table below lists the adjustments per departments.

Table 3: Operational Adjustments per vote

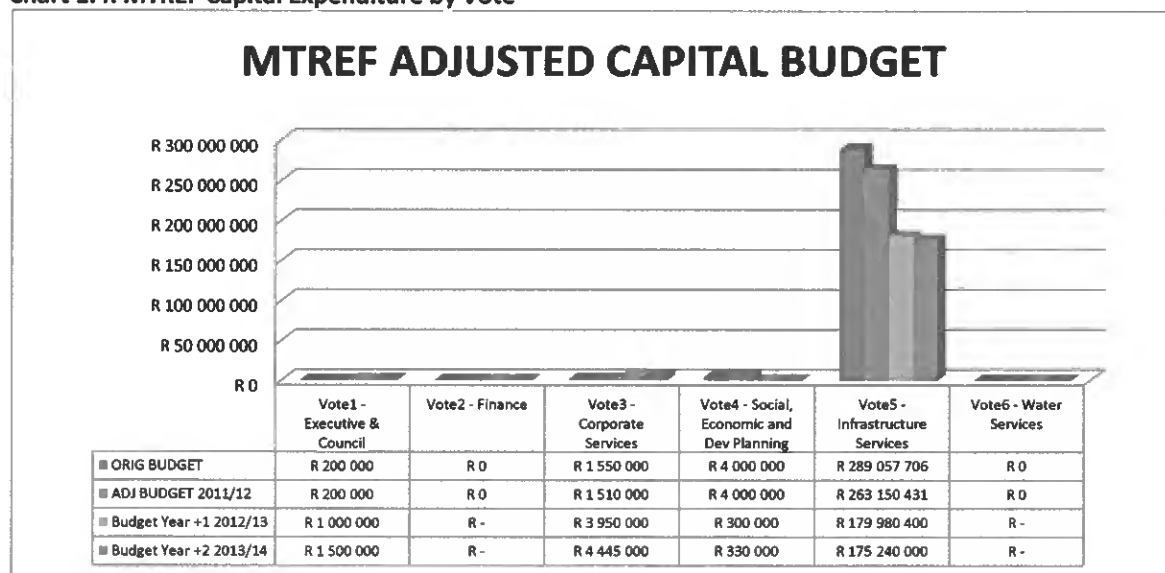
VOTE	ADJUSTMENTS PER VOTE
Vote1 - Executive & Council	R -5 262 140
Vote2 - Finance	R 7 231 894
Vote3 - Corporate Services	R -6 092 619
Vote4 - Social, Economic and Dev Planning	R -1 991 109
Vote5 - Infrastructure Services	R -2 119 913
Vote6 - Water Services	R -14 492 154

Table 3 above shows that overall; the majority of the Votes have had a downward movement in budgeted expenditures except for Finance. This is largely due to the increase in the contribution towards the provision for bad debts.

MTREF CAPITAL BUDGET ADJUSTMENTS

This next section that follows looks at the movements in the capital budget. The original approved capex budget was R294m, while the adjusted budget is R268, 8m.

Chart 1.4: MTREF Capital Expenditure by Vote



The chart presented above show the capital expenditure budget broken down per Vote. The infrastructure services shares the biggest chunk of this budget followed by Social Economic and

Development Planning, Corporate Services and lastly the Executive & Council Vote. The finance and water services vote do not have capital budget allocations.

The major adjustments on the capital budget has been the Loan Reduction of R60m and the allocation of the additional funding of R25m from COGTA.

1.4 Adjustments budget Tables

The adjustments budget tables as attached in Annexure B consist of the following schedules relating to the adjustments budget;

- a) Table B1 - Adjustments Budget Summary
- b) Table B2 – Adjustments Budget Financial Performance (Standard Classification)
- c) Table B3 – Adjustments Budget Financial Performance (Expenditure by Municipal Vote)
- d) Table B4 - Adjustments Budget Financial Performance (Revenue & Expenditure)
- e) Table B5 – Adjustments Capital Expenditure Budget by vote and funding
- f) Table B6 – Adjustments Budget Financial Position
- g) Table B7 - Adjustments Budget Cash Flows
- h) Table B8 – Cash Backed Accumulated reserves/accumulated surplus reconciliation
- i) Table B9 – Asset Management
- j) Able B10 – Basic Service Delivery Measurement

1.5 Municipal Entity Adjustments

The municipality does not have any Municipal Entities.

1.6 Supporting Information and Charts

The charts that follow below give a summary of the movements in the form of a comparison between the original and the adjustments budget expenditures.

Chart 2: Original vs. Adjusted Capital Budget per Vote

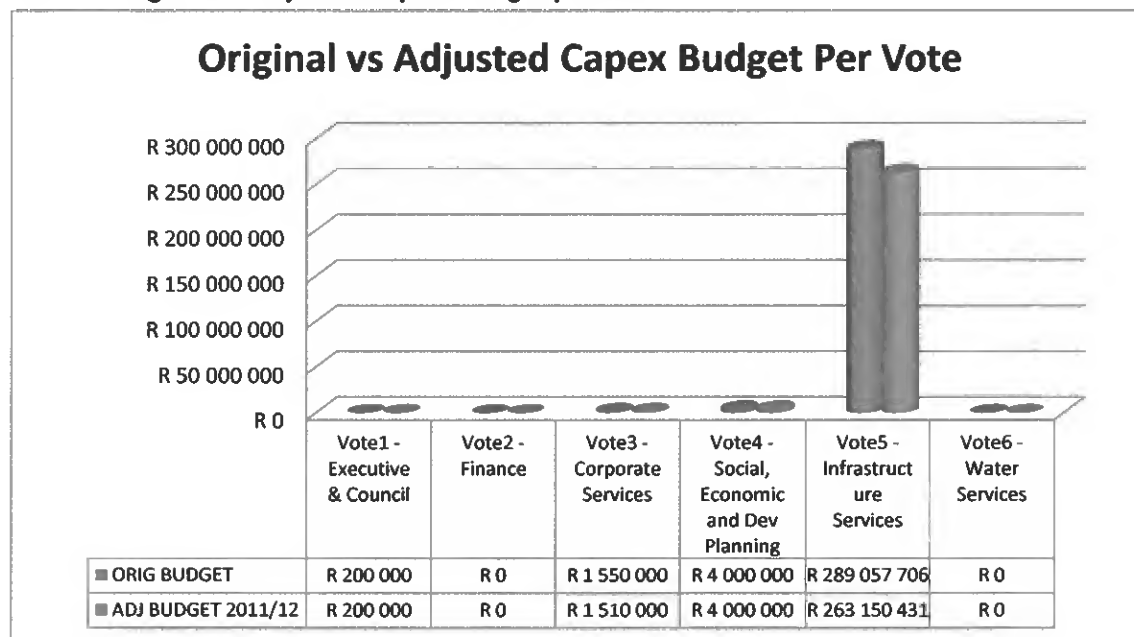


Chart 2 above gives a visual comparison between the originally approved and the adjusted capital budget, while chart 3 below illustrates the breakdown of the adjusted capital budget between the respective votes.

Chart 3: Adjusted Capital Budget Distribution per Vote

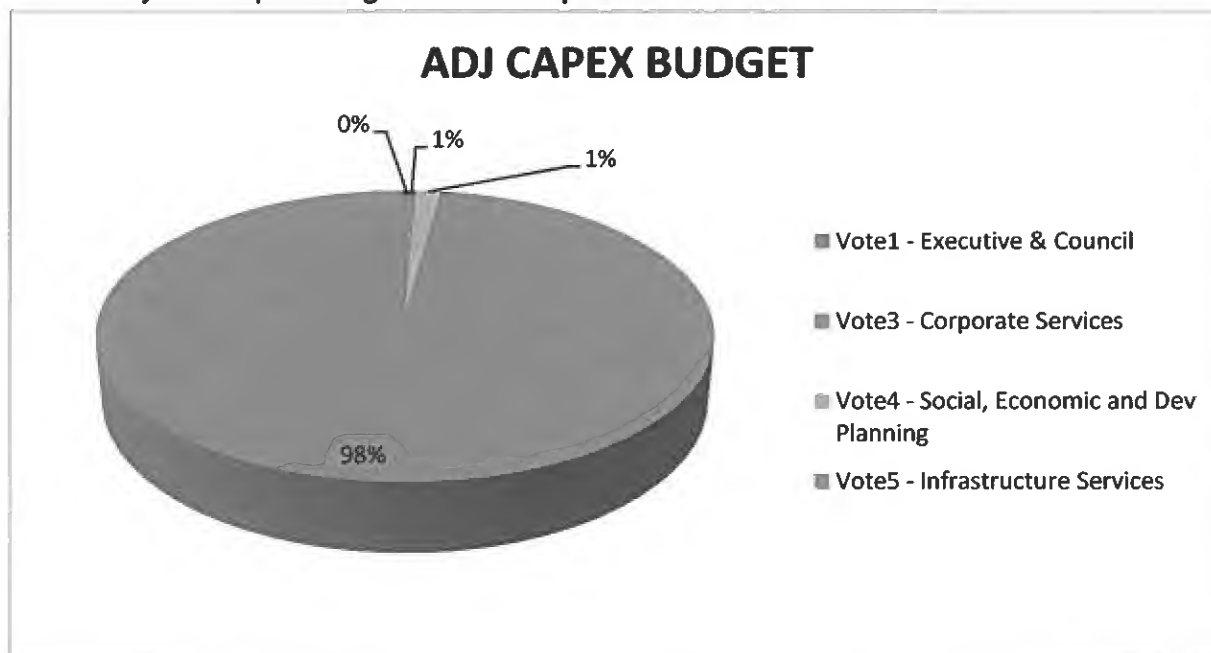
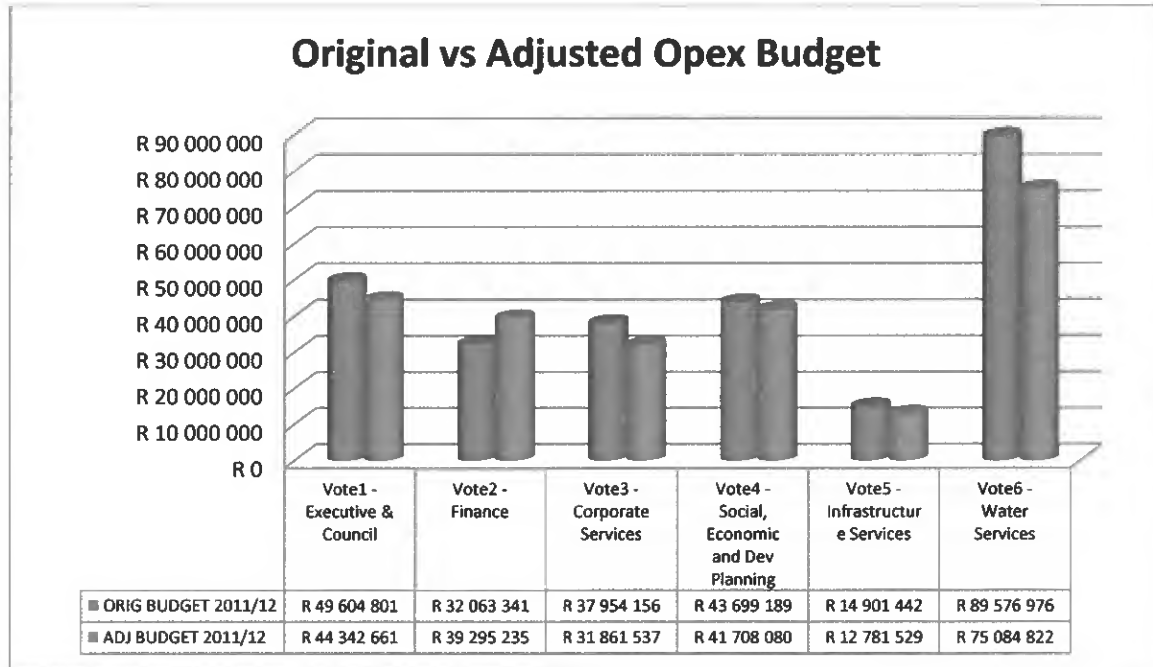


Chart 3 above shows that the infrastructure services department shares 98% of the Adjusted Capital budget with the remainder of the 2% being shared amongst the other department.

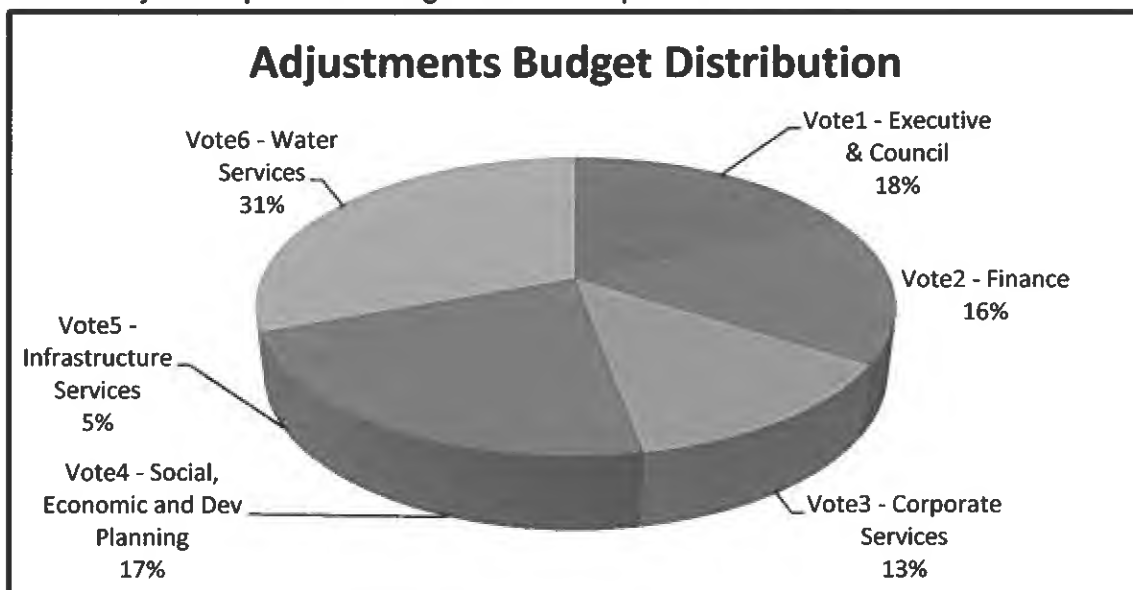
Chart 4 below gives a comparison between the originally approved and the adjusted operational budget. As mentioned above, the major movements have occurred in the Executive & Council, Economic & Community Services and Infrastructure Services.

Chart 4: Adjusted vs. Original Operational Budget Distribution per Vote



Charts 5 below gives a breakdown of the operational budget per vote

Chart 5: Adjusted Operational Budget Distribution per Vote



2. PART 2- SUPPORTING DOCUMENTATION

2.1 Adjustments to budget assumptions

There have not been any changes or adjustments to the budget assumptions.

2.2 Adjustments to Budget Funding

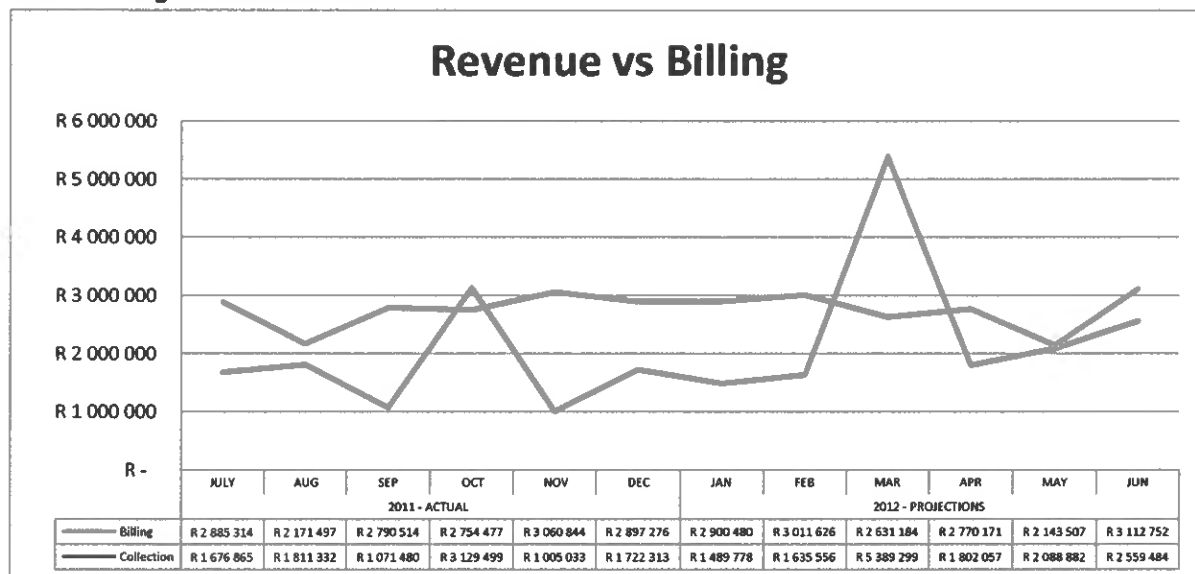
The section that follows takes a look the changes that the adjustments budget has had on the funding arrangements of the municipal budget.

Table 4: Budget Funding

FUNDING SOURCE	ORIGINAL BUDGET	ADJUSTED BUDGET
GOVERNMENT GRANT & SUBSIDIES - CAPITAL	R 177 672 226	R 198 038 495
GOVERNMENT GRANT & SUBSIDIES - OPERATIONS	R 194 506 000	R 199 126 218
INTEREST EARNED ON INVESTMENTS	R 10 000 000	R 1 618 218
OTHER REVENUE	R 28 518 906	R 31 111 242
LOAN	R 110 910 480	R 50 910 480
WATER & SANITATION SERVICE CHARGES	R 41 000 002	R 33 129 643
TOTAL	R 562 607 614	R 513 934 296

Due to the lower than expected revenue receipts at midyear, the expected cash to be collected from service charges has been adjusted downwards. The cash receipts projections as seen in chart 6 below are based on the prior year's trends and the peak in March is also in line with the Department of Work trend of paying their overdue accounts on the last day of the financial year.

Chart 6: Billing vs. Collection trend



The municipality has not affected any changes to the following;

- Adjustments to the contributions and donations in cash or in-kind
- Adjustments related to the proceeds from sale of fixed assets
- Adjustments related to the proceeds from the lease of assets, where the lease period is three years or more
- Adjustments related to the planned use of previous years' cash backed accumulated surplus.

2.3 Adjustments to expenditure on allocation and grant programmes

The planned expenditure on grant funded programmes remains as planned. Except for capital grants that have been rolled over from the previous financial year, no other major capital expenditure adjustments exist.

An important point worth mentioning has been the rather slow start of the expenditure pattern in the grant funded capital projects during the first half of the financial year. However, the bottlenecks hindering accelerated delivery were identified and a revised implantation plan concluded.

2.4 Adjustments to allocations and grants made by the Municipality

The municipality has not made any adjustments relating to allocation and grants to other municipalities or qualifying groups.

2.5 Adjustments to Councillor Allowances and employee benefits

There has been no adjustment to councillor allowances as their allowance increase as determined by the Minister, of Cooperative Governance and Traditional Affairs, was satisfactorily catered for.

Due to current high levels of understaffing in certain critical departments, there has also been no adjustment in the Salaries & Wages Budget.

Reference to supporting schedule SB11 can be made for a detailed breakdown on the staff salaries and benefits.

2.6 Adjustments to Service Delivery and Budget Implementation Plan

The 2011-12 adjustments budget has resulted in some changes in the Service Delivery and Budget Implementation Plan. It should be noted that some of the projects that were initially planned for the current year have been adjusted to the outer years in the MTREF budget. The changes that have been effected have been captured in Supporting Schedule SB3.

2.7 Adjustments to capital expenditure

The adjustments of the Loan Amount in the Capital has led to a number of projects being shifted to the outer budget years for implementation. The table below summarises these movements.

Table 5: Adjustments budget Programs/Projects

	ORIGINAL BUDGET	ADJUSTED BUDGET
	R'000	R'000
Construction of Disaster mgt centre	R4 814	R5 500
Implementation of VIP Sanitation Projects	R38 855	R37 726
Implementation of bulk waste water	R64 958	R63 071
Implementation of water projects	R98 179	R95 326
Provision of electricity to the existing water schemes	R1 010	R981
Diesel pump conversion into electricity	R3 000	R1 000

A

reference is made to Annexure B – supporting table 18a for a detailed moved in the asset classes of the capital expenditures.

2.8 Other Supporting Documents

The information presented in this document has sufficiently taken the due consideration of the MFMA and all the information pertaining to the adjustments budget.

2.9 Municipal Manager's quality certification

I **Nhlanhla Maxwell Mabaso**, Municipal Manager of **Sisonke District municipality**, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Name: Nhlanhla Maxwell Mabaso

Municipal Manager of: Sisonke District Municipality (DC43)

Signature:



Date: 31 January 2012

DC43 Sisonke - Contact Information

A. GENERAL INFORMATION

Municipality DC43 Sisonke

Set name on 'Instructions' sheet

Grade

3 1 Grade in terms of the Remuneration of Public Office Bearers Act

Province KZN KWAZULU-NATAL

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General Contacts

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Fax number 039 834 1636

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Mayor/Executive Mayor:

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D. MANAGEMENT LEADERSHIP

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Official responsible for submitting financial information

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Cell number 073 4883330

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Official responsible for submitting financial information

Name

Telephone number

Cell number

Fax number

E-mail address